

Township of Ada
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Ada, Michigan's (the Township), financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$1,373,649 (5 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$1,403,078 while the net assets of the business-type activities decreased by \$29,429.
- Of the \$26,376,359 total net assets reported, \$5,649,224 (21 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,753,485, which represents 90 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual financial report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and construction code inspection services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police and fire protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems and construction code inspection operations are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues (like the public safety millage).

The Township has two kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$26,376,359, an increase of 5 percent compared to the prior year. Of this total, \$17,463,292 is invested in capital assets and \$3,263,843 is restricted for various purposes. Consequently, unrestricted net assets were \$5,649,224, or 21 percent of the total. While the Township reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Current and other assets	\$ 8,472,138	\$ 5,152,805	\$ 4,533,420	\$ 4,275,964	\$ 13,005,558	\$ 9,428,769
Capital assets	7,348,806	4,403,557	11,775,123	12,016,326	19,123,929	16,419,883
Total assets	15,820,944	9,556,362	16,308,543	16,292,290	32,129,487	25,848,652
Current and other liabilities	518,104	231,600	440,024	294,342	958,128	525,942
Long-term debt outstanding	4,575,000	-	220,000	320,000	4,795,000	320,000
Total liabilities	5,093,104	231,600	660,024	614,342	5,753,128	845,942
Net assets:						
Invested in capital assets, net of related debt	5,908,169	4,403,557	11,555,123	11,696,326	17,463,292	16,099,883
Restricted	3,020,906	3,121,939	242,937	232,046	3,263,843	3,353,985
Unrestricted	1,798,765	1,799,266	3,850,459	3,749,576	5,649,224	5,548,842
Total net assets	\$ 10,727,840	\$ 9,324,762	\$ 15,648,519	\$ 15,677,948	\$ 26,376,359	\$ 25,002,710

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)

Changes in net assets. The Township's total revenues for 2008 were \$7,702,478. Charges for services account for nearly 42 percent of the Township's revenues while property taxes account for more than 35 percent of the revenues. State shared revenue accounts for only 9 percent of the Township's revenues.

The total cost of all the Township's programs for 2008, covering a wide range of services, totaled \$6,328,829. Nearly 48 percent of the Township's costs relate to the provision of utility services. Public safety (police and fire protection and inspections) costs represent 17 percent of all costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Program revenues:						
Charges for services	\$ 230,209	\$ 202,384	\$ 2,968,487	\$ 2,613,510	\$ 3,198,696	\$ 2,815,894
Operating grants and contribution	10,681	24,695	-	-	10,681	24,695
Capital grants and contributions	373,273	49,377	-	-	373,273	49,377
General revenues:						
Property taxes	2,719,957	2,700,877	-	-	2,719,957	2,700,877
State shared revenue	675,687	672,260	-	-	675,687	672,260
Interest on investments	408,804	255,723	193,585	185,257	602,389	440,980
Franchise fees	121,795	117,118	-	-	121,795	117,118
Total revenues	<u>4,540,406</u>	<u>4,022,434</u>	<u>3,162,072</u>	<u>2,798,767</u>	<u>7,702,478</u>	<u>6,821,201</u>
Expenses:						
Legislative	30,678	30,423	-	-	30,678	30,423
General government	1,292,521	1,271,729	-	-	1,292,521	1,271,729
Public safety	872,600	823,988	176,999	161,732	1,049,599	985,720
Public works	183,768	176,049	-	-	183,768	176,049
Recreation and culture	396,831	453,628	-	-	396,831	453,628
Community and economic development	217,175	273,528	-	-	217,175	273,528
Interest	143,755	-	-	-	143,755	-
Sewer	-	-	1,064,334	944,385	1,064,334	944,385
Water	-	-	1,950,168	1,754,040	1,950,168	1,754,040
Total expenses	<u>3,137,328</u>	<u>3,029,345</u>	<u>3,191,501</u>	<u>2,860,157</u>	<u>6,328,829</u>	<u>5,889,502</u>
Increase (decrease) in net assets	<u>\$ 1,403,078</u>	<u>\$ 993,089</u>	<u>\$ (29,429)</u>	<u>\$ (61,390)</u>	<u>\$ 1,373,649</u>	<u>\$ 931,699</u>

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities

Governmental activities increased Township net assets by \$1,403,078 in 2008 compared to a \$993,089 increase in 2007. The most significant reasons for the increase in 2008 follow:

- Capital grants and contributions increased by \$323,896 compared to the prior year primarily due to state and federal grants and contributions from private sources. These capital contributions helped to finance park and trail improvements as well as land acquisitions.
- Interest income was more nearly \$161,000 higher than the prior year as a result of managing the Township investments for the best returns available.
- Expenses increased by \$107,983 (less than 4%) which includes \$143,755 in interest costs related to bonds that were issued in the current fiscal year.

The following table shows the costs of the Township's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

The total cost of all governmental activities this year was \$3,137,328 compared to \$3,029,345 in the prior year.

However, the amount that our taxpayers paid for these activities through general revenues was \$3,926,243. Some of the cost was paid by:

- Those who directly benefited from the programs (\$230,209), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$373,273).

The Township paid for the \$2,523,165 "public benefit" portion with \$3,923,243 in general revenues such as property taxes, state shared revenue, and interest income.

	<u>Total cost of services</u>	<u>Net cost of services</u>
General government	\$ 1,292,521	\$ (1,148,425)
Public safety	872,600	(868,638)
Recreation and culture	396,831	1,990
Other	<u>575,376</u>	<u>(508,092)</u>
Totals	<u>\$ 3,137,328</u>	<u>\$ (2,523,165)</u>

Business-type activities

Business-type activities decreased the Township's net assets by \$29,429 in 2008 compared to a \$61,390 decrease in 2007. The decrease occurred primarily because customer charges were insufficient to cover all operating costs, including depreciation of \$258,683, of the utility systems. In 2008, the Township did not receive capital contributions, in the form of water and sewer mains turned over to the Utility Department.

Governmental funds

As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$8,032,273 an increase of \$3,065,867 compared to last year's balances.

The General Fund experienced a decrease in fund balance in the amount of \$2,645. The fund's expenditures increased by \$154,225 primarily because of the costs related to the purchase of land in the amount of \$164,565.

In addition, these other changes in fund balances should be noted:

- The fund balance of the Public Safety Fund increased by \$146,698 due to monitoring of costs while reducing the public safety millage. The fund balance is utilized for future needs of the fund including policing services, equipment, and staffing as may be justified.
- The fund balance of the Parks and Land Preservation Fund decreased by \$491,566 primarily because of the land acquisitions and park improvements during the year. Total capital outlay costs for the fund amounted to \$1,250,296.
- The fund balance of the Trails Fund increased by \$3,413,380 due to the issuance of capital improvement bonds, in the amount of \$4,575,000. The fund balance increased so dramatically because nearly \$3.1 million of the bond proceeds were unspent at year-end.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved, undesignated fund balance was \$1,753,485, which represents 90 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 23 percent of the combined ending fund balances of the governmental funds.

General Fund budgetary highlights

Revenues of the General Fund were \$33,989 more than budgeted. Revenues exceeded expectations primarily because property taxes were \$39,000 more than anticipated. General Fund expenditures, in total, were \$93,484 less than the amounts appropriated. These conditions resulted in a \$127,473 positive budget variance and a \$2,645 decrease in fund balance compared to a budgeted \$130,118 decrease.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$19,123,929 (net of accumulated depreciation). This investment includes a broad range of assets including land, sewer and water facilities, buildings, and equipment.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets (continued)

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Land	\$ 2,542,622	\$ -	\$ 2,542,622
Facilities	-	11,752,083	11,752,083
Buildings and improvements	3,563,375	16,463	3,579,838
Equipment	622,752	6,577	629,329
Vehicles	620,057	-	620,057
Totals	\$ 7,348,806	\$ 11,775,123	\$ 19,123,929

Major capital asset events during the current fiscal year included the following:

- Trail construction and improvements in the amount of \$1,669,244
- Park improvements in the amount of \$746,532
- Acquisitions of land in the amount of \$633,144
- Purchases of equipment and vehicles totaling \$92,209

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$4,795,000, which represents an increase of \$4,475,000. This increase is associated with the issuance of capital improvement bonds, in the amount of \$4,575,000, for the construction of a Township trail system. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$43,057, represent accrued compensated absences.

More detailed information about the Township's noncurrent obligations is presented in Note 7 of the basic financial statements.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

Ada Township continues to be in good financial condition as reflected in this year's audit report and financial statements. The Treasurer is continually managing the Township investments, resulting in healthy interest revenues.

The general outlook is positive; the two areas of cable franchising and state revenue sharing will require ongoing monitoring as any reductions will have a significant financial impact on the Township. Ada Township has been fully impacted by the reduction of statutory revenue sharing. The Township no longer receives any statutory revenue sharing and is only receiving the constitutional amount.

The Township enters into its third year of the proposed trail expansion project after expending approximately \$2,800,000, of the \$4,575,000, capital improvement bonds issued during the past two fiscal years. The Township plans on completing this project in the next fiscal year.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. If you have questions regarding any information provided in this report or need additional financial information, contact us at:

7330 Thornapple River Drive
P.O. Box 370
Ada, Michigan 49301
(616) 676-9191

You may also send an e-mail to any of the addresses noted below:

George Haga
Township Supervisor
ghaga@ada.mi.us

Deborah Ensing Milhuff
Township Clerk
millhuff@ada.mi.us

Diane Fase Pratt
Township Treasurer
pratt@ada.mi.us

INDEPENDENT AUDITORS' REPORT

Township Board of Trustees
Township of Ada, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township of Ada, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Ada, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

August 7, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Ada
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 4,501,797	\$ 3,741,745	\$ 8,243,542
Restricted cash	3,120,825	242,937	3,363,762
Investments	533,042	78,161	611,203
Receivables	266,155	464,648	730,803
Prepaid expenses	7,001	638	7,639
Inventory	-	5,291	5,291
Total current assets	<u>8,428,820</u>	<u>4,533,420</u>	<u>12,962,240</u>
Noncurrent assets:			
Bond issuance costs, net of amortization	43,318	-	43,318
Capital assets not being depreciated - land	2,542,622	-	2,542,622
Capital assets, net of depreciation	<u>4,806,184</u>	<u>11,775,123</u>	<u>16,581,307</u>
Total noncurrent assets	<u>7,392,124</u>	<u>11,775,123</u>	<u>19,167,247</u>
Total assets	<u>15,820,944</u>	<u>16,308,543</u>	<u>32,129,487</u>
LIABILITIES			
Current liabilities:			
Payables	475,047	440,024	915,071
Bonds payable	<u>170,000</u>	<u>105,000</u>	<u>275,000</u>
Total current liabilities	<u>645,047</u>	<u>545,024</u>	<u>1,190,071</u>
Noncurrent liabilities:			
Compensated absences	43,057	-	43,057
Bonds payable	<u>4,405,000</u>	<u>115,000</u>	<u>4,520,000</u>
Total noncurrent liabilities	<u>4,448,057</u>	<u>115,000</u>	<u>4,563,057</u>
Total liabilities	<u>5,093,104</u>	<u>660,024</u>	<u>5,753,128</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,908,169	11,555,123	17,463,292
Restricted for:			
Public safety	1,809,145	-	1,809,145
Parks and land preservation	636,776	-	636,776
Arboretum	29,780	-	29,780
Nonmotorized trail construction	545,205	-	545,205
Debt service	-	242,937	242,937
Unrestricted	<u>1,798,765</u>	<u>3,850,459</u>	<u>5,649,224</u>
Total net assets	<u>\$ 10,727,840</u>	<u>\$ 15,648,519</u>	<u>\$ 26,376,359</u>

See notes to the financial statements

Township of Ada
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 30,678	\$ -	\$ -	\$ -
General government	1,292,521	114,096	-	30,000
Public safety	872,600	3,962	-	-
Public works	183,768	46,274	10,681	-
Recreation and culture	396,831	55,548	-	343,273
Community and economic development	217,175	10,329	-	-
Interest expense	143,755	-	-	-
Total governmental activities	<u>3,137,328</u>	<u>230,209</u>	<u>10,681</u>	<u>373,273</u>
Business-type activities:				
Sewer	1,064,334	858,089	-	-
Water	1,950,168	1,909,920	-	-
Inspections	<u>176,999</u>	<u>200,478</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>3,191,501</u>	<u>2,968,487</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 6,328,829</u>	<u>\$ 3,198,696</u>	<u>\$ 10,681</u>	<u>\$ 373,273</u>

General revenues:
Property taxes
State shared revenue
Interest income
Franchise fees

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (30,678)		\$ (30,678)
(1,148,425)		(1,148,425)
(868,638)		(868,638)
(126,813)		(126,813)
1,990		1,990
(206,846)		(206,846)
<u>(143,755)</u>		<u>(143,755)</u>
 <u>(2,523,165)</u>		 <u>(2,523,165)</u>
	\$ (206,245)	(206,245)
	(40,248)	(40,248)
	<u>23,479</u>	<u>23,479</u>
	 <u>(223,014)</u>	 <u>(223,014)</u>
 <u>(2,523,165)</u>	 <u>(223,014)</u>	 <u>(2,746,179)</u>
 2,719,957	-	2,719,957
675,687	-	675,687
408,804	193,585	602,389
<u>121,795</u>	<u>-</u>	<u>121,795</u>
 <u>3,926,243</u>	 <u>193,585</u>	 <u>4,119,828</u>
 1,403,078	(29,429)	1,373,649
<u>9,324,762</u>	<u>15,677,948</u>	<u>25,002,710</u>
 <u>\$ 10,727,840</u>	 <u>\$ 15,648,519</u>	 <u>\$ 26,376,359</u>

See notes to the financial statements

Township of Ada
BALANCE SHEET - governmental funds
 March 31, 2008

	<i>Major funds</i>			
	<i>General</i>	<i>Public Safety</i>	<i>Parks and Land Preservation</i>	<i>Trails</i>
ASSETS				
Cash	\$ 1,729,049	\$ 1,428,707	\$ 668,769	\$ 675,272
Restricted cash	-	-	-	3,091,045
Investments	114,099	392,393	26,550	-
Receivables	168,960	35,120	45,054	17,021
Prepaid expenditures	6,000	1,001	-	-
Total assets	\$ 2,018,108	\$ 1,857,221	\$ 740,373	\$ 3,783,338
LIABILITIES AND FUND BALANCES				
Liabilities - payables	\$ 176,286	\$ 48,076	\$ 103,597	\$ 68,588
Fund balances:				
Reserved for prepaid expenditures				
Prepaid expenditures	6,000	1,001	-	-
Trail construction	-	-	-	3,091,045
Designated for:				
Cemeteries	82,337	-	-	-
Open space acquisitions	-	-	607,042	-
Parks	-	-	29,734	-
Capital outlay	-	73,561	-	-
Unreserved, undesignated	1,753,485	1,734,583	-	623,705
Total fund balances	1,841,822	1,809,145	636,776	3,714,750
Total liabilities and fund balances	\$ 2,018,108	\$ 1,857,221	\$ 740,373	\$ 3,783,338

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Expense deferrals/accruals:

Bond issuance costs
 Compensated absences
 Interest payable

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 4)

<i>Nonmajor fund</i>	<i>Total governmental funds</i>
<i>Arboretum</i>	
\$ -	\$ 4,501,797
29,780	3,120,825
-	533,042
-	266,155
-	7,001
<u>\$ 29,780</u>	<u>\$ 8,428,820</u>

<u>\$ -</u>	<u>\$ 396,547</u>
-------------	-------------------

-	7,001
-	3,091,045
-	82,337
-	607,042
-	29,734
-	73,561
<u>29,780</u>	<u>4,141,553</u>
<u>29,780</u>	<u>8,032,273</u>
<u>\$ 29,780</u>	<u>\$ 8,428,820</u>
	\$ 8,032,273

7,348,806

43,318
(43,057)
(78,500)

(4,575,000)

\$ 10,727,840

See notes to the financial statements

Township of Ada**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	Major funds		
	General	Public Safety	Parks and land Preservation
REVENUES			
Property taxes	\$ 842,521	\$ 885,285	\$ 570,145
Licenses and permits	136,438	-	-
Federal grant	-	-	-
State grants	677,666	-	109,980
Charges for services	43,373	-	34,481
Interest and rentals	204,377	68,026	56,831
Other	50,708	-	139,017
Total revenues	<u>1,955,083</u>	<u>953,311</u>	<u>910,454</u>
EXPENDITURES			
Legislative	30,678	-	-
General government	1,257,505	-	-
Public safety	-	737,827	-
Public works	181,763	-	-
Recreation and culture	100,830	-	151,724
Community and economic development	217,745	-	-
Debt service:			
Interest and fees	-	-	-
Bond issuance costs	-	-	-
Capital outlay	<u>169,207</u>	<u>68,786</u>	<u>1,250,296</u>
Total expenditures	<u>1,957,728</u>	<u>806,613</u>	<u>1,402,020</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(2,645)</u>	<u>146,698</u>	<u>(491,566)</u>
OTHER FINANCING SOURCES			
Proceeds from the issuance of bonds	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(2,645)	146,698	(491,566)
FUND BALANCES - BEGINNING	<u>1,844,467</u>	<u>1,662,447</u>	<u>1,128,342</u>
FUND BALANCES - ENDING	<u>\$ 1,841,822</u>	<u>\$ 1,809,145</u>	<u>\$ 636,776</u>

	<i>Nonmajor fund</i>	<i>Total governmental funds</i>
<i>Trails</i>	<i>Arboretum</i>	
\$ 442,454	\$ -	\$ 2,740,405
-	-	136,438
94,276	-	94,276
-	-	787,646
-	-	77,854
154,828	-	484,062
-	-	189,725
<u>691,558</u>	<u>-</u>	<u>4,510,406</u>
-	-	30,678
-	-	1,257,505
-	-	737,827
-	-	181,763
1,517	-	254,071
-	-	217,745
65,255		65,255
46,650		46,650
<u>1,739,756</u>	<u>-</u>	<u>3,228,045</u>
<u>1,853,178</u>	<u>-</u>	<u>6,019,539</u>
<u>(1,161,620)</u>	<u>-</u>	<u>(1,509,133)</u>
<u>4,575,000</u>	<u>-</u>	<u>4,575,000</u>
3,413,380	-	3,065,867
<u>301,370</u>	<u>29,780</u>	<u>4,966,406</u>
<u>\$ 3,714,750</u>	<u>\$ 29,780</u>	<u>\$ 8,032,273</u>

See notes to the financial statements

Township of Ada

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Reconciliation of the statement of revenues, expenditures, and
changes in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 7) \$ 3,065,867

Amounts reported for *governmental activities* in the statement of
activities are different because:

Capital assets:

Assets acquired	3,141,129
Provision for depreciation	(195,880)

Long-term debt - proceeds from issuance of bonds (4,575,000)

Changes in other assets/liabilities:

Net increase in deferred charges	43,318
Net increase in interest payable	(78,500)
Net decrease in compensated absences	<u>2,144</u>

Change in net assets of *governmental activities* (page 5) \$ 1,403,078

See notes to the financial statements

Township of Ada
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2008

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
ASSETS				
Current assets:				
Cash	\$ 2,496,228	\$ 1,138,912	\$ 106,605	\$ 3,741,745
Restricted cash	-	242,937	-	242,937
Investments	-	78,161	-	78,161
Receivables	197,038	267,610	-	464,648
Prepaid expenses	-	-	638	638
Inventory	-	5,291	-	5,291
Total current assets	2,693,266	1,732,911	107,243	4,533,420
Noncurrent assets:				
Capital assets, net of accumulated depreciation	5,161,901	6,613,222	-	11,775,123
Total assets	7,855,167	8,346,133	107,243	16,308,543
LIABILITIES				
Current liabilities:				
Payables	185,576	253,948	500	440,024
Bond payable	-	105,000	-	105,000
Total current liabilities	185,576	358,948	500	545,024
Noncurrent liabilities - bond payable	-	115,000	-	115,000
Total liabilities	185,576	473,948	500	660,024
NET ASSETS				
Invested in capital assets, net of related debt	5,161,901	6,393,222	-	11,555,123
Restricted for debt service	-	242,937	-	242,937
Unrestricted	2,507,690	1,236,026	106,743	3,850,459
Total net assets	\$ 7,669,591	\$ 7,872,185	\$ 106,743	\$ 15,648,519

See notes to the financial statements

Township of Ada**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds***

Year ended March 31, 2008

	Major funds		Nonmajor fund
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>
OPERATING REVENUES			
Charges for services:			
Utility charges	\$ 655,171	\$ 1,600,597	\$ -
Inspection fees	-	-	200,478
Other	-	72,945	-
	<u>655,171</u>	<u>1,673,542</u>	<u>200,478</u>
Total operating revenues			
	<u>655,171</u>	<u>1,673,542</u>	<u>200,478</u>
OPERATING EXPENSES			
Personnel costs	56,220	73,362	15,952
Supplies	11,223	20,813	665
Contracted services:			
Sewage treatment	498,662	-	-
Water purchases	-	1,271,799	-
Inspections	-	-	160,382
Other	43,675	31,730	-
Utilities	40,139	36,435	-
Repairs and maintenance	123,071	146,063	-
Depreciation	110,986	147,697	-
Miscellaneous	330	416	-
	<u>884,306</u>	<u>1,728,315</u>	<u>176,999</u>
Total operating expenses			
	<u>884,306</u>	<u>1,728,315</u>	<u>176,999</u>
Operating income (loss)	<u>(229,135)</u>	<u>(54,773)</u>	<u>23,479</u>
NONOPERATING REVENUES (EXPENSES)			
Connection fees	202,918	236,378	-
Contractual payments to the City	(180,028)	(204,528)	-
Interest revenue	118,592	70,881	4,112
Interest expense	-	(17,325)	-
	<u>141,482</u>	<u>85,406</u>	<u>4,112</u>
Total nonoperating revenues			
	<u>141,482</u>	<u>85,406</u>	<u>4,112</u>
CHANGES IN NET ASSETS	<u>(87,653)</u>	<u>30,633</u>	<u>27,591</u>
NET ASSETS - BEGINNING	<u>7,757,244</u>	<u>7,841,552</u>	<u>79,152</u>
NET ASSETS - ENDING	<u>\$ 7,669,591</u>	<u>\$ 7,872,185</u>	<u>\$ 106,743</u>

Totals

\$ 2,255,768
200,478
72,945

2,529,191

145,534
32,701

498,662
1,271,799
160,382
75,405
76,574
269,134
258,683
746

2,789,620

(260,429)

439,296
(384,556)
193,585
(17,325)

231,000

(29,429)

15,677,948

\$ 15,648,519

See notes to the financial statements

Township of Ada
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2008

	Major funds		Nonmajor fund	
	Sewer	Water	Inspections	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 589,120	\$ 1,590,448	\$ 200,478	\$ 2,380,046
Payments to vendors and suppliers	(632,237)	(1,428,585)	(160,807)	(2,221,629)
Payments to employees	(56,220)	(73,362)	(15,952)	(145,534)
Net cash provided by (used in) operating activities	(99,337)	88,501	23,719	12,883
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	202,918	236,378	-	439,296
Contractual payments to City	(180,028)	(204,528)	-	(384,556)
Acquisition of capital assets	(8,740)	(8,740)	-	(17,480)
Principal payments on capital debt	-	(100,000)	-	(100,000)
Interest payments on capital debt	-	(17,325)	-	(17,325)
Net cash provided by (used in) capital and related financing activities	14,150	(94,215)	-	(80,065)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment	-	(3,786)	-	(3,786)
Interest received	118,592	70,881	4,112	193,585
Net cash provided by investing activities	118,592	67,095	4,112	189,799
NET INCREASE IN CASH	33,405	61,381	27,831	122,617
CASH - BEGINNING (including \$232,046 in restricted accounts reported in the Water Fund)	2,462,823	1,320,468	78,774	3,862,065
CASH - ENDING (including \$242,937 in restricted accounts reported in the Water Fund)	\$ 2,496,228	\$ 1,381,849	\$ 106,605	\$ 3,984,682

See notes to the financial statements

Township of Ada**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2008

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (229,135)	\$ (54,773)	\$ 23,479	\$ (260,429)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	110,986	147,697	-	258,683
(Increase) decrease in:				
Receivables	(66,051)	(83,094)	-	(149,145)
Prepaid expenses	8,377	9,515	201	18,093
Increase in payables	<u>76,486</u>	<u>69,156</u>	<u>39</u>	<u>145,681</u>
 Net cash provided by (used in) operating activities	 <u>\$ (99,337)</u>	 <u>\$ 88,501</u>	 <u>\$ 23,719</u>	 <u>\$ 12,883</u>

See notes to the financial statements

Township of Ada
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Ada, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for all the financial resources used by the Township to provide police and fire protection services. Revenues are primarily derived from property taxes.

The Parks and Land Preservation Fund accounts for the financial resources used by the Township to maintain and improve recreational facilities and preserve land. Revenues are primarily derived from property taxes.

The Trails Fund accounts for the financial resources used by the Township to construct and improve the nonmotorized pathway system. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$3,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for unpaid accumulated sick pay benefits has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Vacation and sick pay benefits are accrued as the benefits are earned by the employees, as the benefits are attributable to past service and it is probable that the Township will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment.

Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Unused sick leave accumulates up to a maximum accumulation of twenty-four days. Vacation leave is earned in varying amounts depending upon years of service. Unused vacation time from the prior calendar year, up to five days, may be used during the next calendar year only. Vacation leave is not accrued as it is not a vested benefit.

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition:

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and the Township may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 176,365	\$ 181,763	\$ (5,398)
General	Capital outlay	158,415	169,207	(10,792)
Public safety	Public safety	697,705	737,827	(40,122)
Parks and Land Preservation	Capital outlay	866,759	1,250,296	(383,537)
Trails	Debt service - bond issuance costs	27,993	46,650	(18,657)
	Capital outlay	1,477,629	1,739,756	(262,127)

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments, as presented in the accompanying financial statements, consist of the following:

	<u>activities</u>	<u>activities</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ -	\$ 200
Deposits	7,622,422	3,984,682	11,607,104
Investments	<u>533,042</u>	<u>78,161</u>	<u>611,203</u>
Total	<u>\$ 8,155,664</u>	<u>\$ 4,062,843</u>	<u>\$ 12,218,507</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2008, \$11,250,787 of the Township's bank balances of \$11,650,787 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

At March 31, 2008, the receivables of the Township's funds were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Governmental funds:				
General Fund	\$ 32,768	\$ 30,019	\$ 106,173	\$ 168,960
Public Safety Fund	34,048	1,072	-	35,120
Parks and Land Preservation Fund	21,925	-	23,129	45,054
Trails fund	17,021	-	-	17,021
Total governmental funds	<u>\$ 105,762</u>	<u>\$ 31,091</u>	<u>\$ 129,302</u>	<u>\$ 266,155</u>
Proprietary funds:				
Sewer Fund	\$ -	\$ 197,038	\$ -	\$ 197,038
Water Fund	-	267,610	-	267,610
Total proprietary funds	<u>\$ -</u>	<u>\$ 464,648</u>	<u>\$ -</u>	<u>\$ 464,648</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 1,909,478	\$ 633,144	\$ -	\$ 2,542,622
Capital assets being depreciated:				
Buildings and improvements	1,818,504	2,415,776	-	4,234,280
Furniture, fixtures, and equipment	1,321,980	71,808	-	1,393,788
Vehicles	1,173,370	20,401	-	1,193,771
Subtotal	4,313,854	2,507,985	-	6,821,839
Less accumulated depreciation for:				
Buildings and improvements	(612,813)	(58,092)	-	(670,905)
Furniture, fixtures, and equipment	(692,085)	(78,951)	-	(771,036)
Vehicles	(514,877)	(58,837)	-	(573,714)
Subtotal	(1,819,775)	(195,880)	-	(2,015,655)
Total capital assets being depreciated, net	2,494,079	2,312,105	-	4,806,184
Governmental activities capital assets, net	\$ 4,403,557	\$ 2,945,249	\$ -	\$ 7,348,806
Business-type activities:				
Capital assets being depreciated:				
Facilities	\$ 16,348,790	\$ 17,480	\$ -	\$ 16,366,270
Buildings	41,090	-	-	41,090
Equipment	46,327	-	-	46,327
Subtotal	16,436,207	17,480	-	16,453,687
Less accumulated depreciation for:				
Facilities	(4,357,621)	(256,566)	-	(4,614,187)
Buildings	(23,259)	(1,368)	-	(24,627)
Equipment	(39,001)	(749)	-	(39,750)
Subtotal	(4,419,881)	(258,683)	-	(4,678,564)
Total capital assets being depreciated, net	12,016,326	(241,203)	-	11,775,123
Business-type activities capital assets, net	\$ 12,016,326	\$ (241,203)	\$ -	\$ 11,775,123

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 27,976
Public safety	118,923
Public works	2,005
Culture and recreation	<u>46,976</u>
Total	<u>\$ 195,880</u>

NOTE 6 - PAYABLES:

At March 31, 2008, the payables of the Township's funds were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental funds:			
General Fund	\$ 146,433	\$ 29,853	\$ 176,286
Public Safety Fund	34,876	13,200	48,076
Parks and Land Preservation Fund	103,597	-	103,597
Trails Fund	<u>68,588</u>	<u>-</u>	<u>68,588</u>
Total governmental funds	<u>\$ 353,494</u>	<u>\$ 43,053</u>	<u>\$ 396,547</u>
Proprietary funds:			
Sewer Fund	\$ 184,357	\$ 1,219	\$ 185,576
Water Fund	251,585	2,363	253,948
Inspections Fund	<u>-</u>	<u>500</u>	<u>500</u>
Total proprietary funds	<u>\$ 435,942</u>	<u>\$ 4,082</u>	<u>\$ 440,024</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES:

At March 31, 2008, noncurrent liabilities consist of the following individual items.

Governmental activities:

Accrued compensated absences \$ 43,057

Bonds:

\$4,575,000 2007 Capital improvement bonds - payable in annual instalments of \$170,000 to \$480,000, plus interest at 4.10% to 4.20%; final payment due May 2021. 4,575,000

Total \$ 4,618,057

Business-type activities:

Bonds:

\$1,275,000 1996 Water supply system refunding bonds - payable in annual instalments of \$100,000 to \$115,000, plus interest at 4.20% to 5.40%; final payment due January 2010. \$ 220,000

Noncurrent liability activity for the year ended March 31, 2008, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ 45,201	\$ 41,331	\$ (43,475)	\$ 43,057	\$ -
2007 Capital Improvement bonds	-	4,575,000	-	4,575,000	170,000
	<u>\$ 45,201</u>	<u>\$ 4,616,331</u>	<u>\$ (43,475)</u>	<u>\$ 4,618,057</u>	<u>\$ 170,000</u>
Business-type activities:					
1996 Water refunding bond	\$ 320,000	\$ -	\$ (100,000)	\$ 220,000	\$ 105,000

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES (Continued):

At March 31, 2008, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i> <i>March 31:</i>	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 170,000	\$ 185,020	\$ 105,000	\$ 11,775	\$ 275,000	\$ 196,795
2010	190,000	177,640	115,000	6,210	305,000	183,850
2011	215,000	169,338	-	-	215,000	169,338
2012	240,000	160,010	-	-	240,000	160,010
2013	265,000	149,658	-	-	265,000	149,658
2014 - 2018	1,700,000	557,125	-	-	1,700,000	557,125
2019 - 2021	1,795,000	154,182	-	-	1,795,000	154,182
Totals	\$ 4,575,000	\$ 1,552,973	\$ 220,000	\$ 17,985	\$ 4,795,000	\$ 1,570,958

All debt is secured by the full faith and credit of the Township.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all elected officials, full-time employees, and paid on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate at the date of employment. The Township contributes an amount equal to 5% of compensation for paid on-call firefighters and 10% of compensation for all other eligible employees. Paid on-call firefighters are required to contribute 6.2% of compensation and all other covered employees may voluntarily contribute up to 10% of their compensation to the plan. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after 90 days. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and eligible employees made the required contributions of \$73,963 and \$2,901, respectively, for the year ended March 31, 2008.

NOTE 9 - ECONOMIC DEPENDENCY:

The Township received approximately 23% of its property tax revenue and 37% of its sewer and water utility revenue from one industrial customer.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 11 - CONTINGENT LIABILITY:

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in Michigan Tax Tribunal cases, filed by property owners, which could have a significant financial impact. Because the outcome of these lawsuits is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ada

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 803,429	\$ 803,429	\$ 842,521	\$ 39,092
Licenses and permits	112,880	112,880	136,438	23,558
State grants	700,000	700,000	677,666	(22,334)
Charges for services	41,100	43,350	43,373	23
Interest and rentals	201,687	213,316	204,377	(8,939)
Other	48,119	48,119	50,708	2,589
Total revenues	<u>1,907,215</u>	<u>1,921,094</u>	<u>1,955,083</u>	<u>33,989</u>
EXPENDITURES				
Legislative	<u>35,165</u>	<u>35,165</u>	<u>30,678</u>	<u>4,487</u>
General government:				
Supervisor	48,547	48,547	47,519	1,028
Elections	30,198	30,198	20,437	9,761
Assessor	170,061	170,061	133,305	36,756
Clerk	163,406	163,406	161,489	1,917
Board of Review	1,369	1,369	582	787
Treasurer	140,915	141,565	138,699	2,866
Building and grounds	121,282	126,382	123,687	2,695
Cemeteries	31,600	33,450	30,594	2,856
General administration	579,049	588,144	601,193	(13,049)
Total general government	<u>1,286,427</u>	<u>1,303,122</u>	<u>1,257,505</u>	<u>45,617</u>
Public works	<u>150,654</u>	<u>176,365</u>	<u>181,763</u>	<u>(5,398)</u>
Recreation and culture	<u>115,298</u>	<u>120,522</u>	<u>100,830</u>	<u>19,692</u>
Community and economic development	<u>257,623</u>	<u>257,623</u>	<u>217,745</u>	<u>39,878</u>
Capital outlay	<u>83,450</u>	<u>158,415</u>	<u>169,207</u>	<u>(10,792)</u>
Total expenditures	<u>1,928,617</u>	<u>2,051,212</u>	<u>1,957,728</u>	<u>93,484</u>
NET CHANGES IN FUND BALANCES	(21,402)	(130,118)	(2,645)	127,473
FUND BALANCES - BEGINNING	<u>1,844,467</u>	<u>1,844,467</u>	<u>1,844,467</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,823,065</u>	<u>\$ 1,714,349</u>	<u>\$ 1,841,822</u>	<u>\$ 127,473</u>

Township of Ada**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 854,578	\$ 854,578	\$ 885,285	\$ 30,707
Interest	54,436	54,436	68,026	13,590
Other	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total revenues	<u>910,014</u>	<u>910,014</u>	<u>953,311</u>	<u>43,297</u>
EXPENDITURES				
Public safety:				
Police protection	350,000	350,000	372,300	(22,300)
Fire protection	347,353	347,705	365,527	(17,822)
Capital outlay	<u>79,000</u>	<u>123,338</u>	<u>68,786</u>	<u>54,552</u>
Total expenditures	<u>776,353</u>	<u>821,043</u>	<u>806,613</u>	<u>14,430</u>
NET CHANGES IN FUND BALANCES	133,661	88,971	146,698	57,727
FUND BALANCES - BEGINNING	<u>1,662,447</u>	<u>1,662,447</u>	<u>1,662,447</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,796,108</u>	<u>\$ 1,751,418</u>	<u>\$ 1,809,145</u>	<u>\$ 57,727</u>

Township of Ada

BUDGETARY COMPARISON SCHEDULE - Parks and Land Preservation Fund

Year ended March 31, 2008

	<i>Original budget</i>	<i>Amended budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES				
Property taxes	\$ 551,019	\$ 551,019	\$ 570,145	\$ 19,126
State grants	122,300	122,300	109,980	(12,320)
Charges for services	35,500	35,704	34,481	(1,223)
Interest and rentals	64,936	83,758	56,831	(26,927)
Other - private contributions	<u>14,200</u>	<u>14,200</u>	<u>139,017</u>	<u>124,817</u>
Total revenues	<u>787,955</u>	<u>806,981</u>	<u>910,454</u>	<u>103,473</u>
EXPENDITURES				
Recreation and culture	198,492	208,016	151,724	56,292
Capital outlay	<u>614,829</u>	<u>866,759</u>	<u>1,250,296</u>	<u>(383,537)</u>
Total expenditures	<u>813,321</u>	<u>1,074,775</u>	<u>1,402,020</u>	<u>(327,245)</u>
NET CHANGES IN FUND BALANCES	(25,366)	(267,794)	(491,566)	(223,772)
FUND BALANCES - BEGINNING	<u>1,128,342</u>	<u>1,128,342</u>	<u>1,128,342</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,102,976</u>	<u>\$ 860,548</u>	<u>\$ 636,776</u>	<u>\$ (223,772)</u>

Township of Ada
BUDGETARY COMPARISON SCHEDULE - Trails Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 427,089	\$ 427,089	\$ 442,454	\$ 15,365
Federal grant	-	-	94,276	94,276
State grant	124,352	124,352	-	(124,352)
Interest and rentals	8,476	53,476	154,828	101,352
Total revenues	<u>559,917</u>	<u>604,917</u>	<u>691,558</u>	<u>86,641</u>
EXPENDITURES				
Recreation and culture	20,000	20,000	1,517	18,483
Debt service:				
Interest and fees	-	65,255	65,255	-
Bond issuance costs	14,100	27,993	46,650	(18,657)
Capital outlay	<u>1,477,629</u>	<u>1,477,629</u>	<u>1,739,756</u>	<u>(262,127)</u>
Total expenditures	<u>1,511,729</u>	<u>1,590,877</u>	<u>1,853,178</u>	<u>(262,301)</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>(951,812)</u>	<u>(985,960)</u>	<u>(1,161,620)</u>	<u>(175,660)</u>
OTHER FINANCING SOURCES				
Proceeds from the issuance of bonds	<u>4,575,000</u>	<u>4,575,000</u>	<u>4,575,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>3,623,188</u>	<u>3,589,040</u>	<u>3,413,380</u>	<u>(175,660)</u>
FUND BALANCES - BEGINNING	<u>301,370</u>	<u>301,370</u>	<u>301,370</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,924,558</u>	<u>\$ 3,890,410</u>	<u>\$ 3,714,750</u>	<u>\$ (175,660)</u>

August 7, 2008

To the Board of Trustees
Township of Ada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada for the year ended March 31, 2008, and have issued our report thereon dated August 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Ada are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Ada during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Ada's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Ada as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Ada's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Ada and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Cundall P.C.

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August 7, 2008

To the Board of Trustees
Township of Ada

In planning and performing our audit of the financial statements of the Township of Ada for the year ended March 31, 2008, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 7, 2008, on the financial statements of the Township of Ada.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Siegfried Crandall P.C.



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COMMENTS AND RECOMMENDATIONS

Fund equity of the Parks and Land Preservation Fund

The Township levies two millages to provide funds for parks and land preservation purposes. One of the millages is levied exclusively for the purpose of funding parks and recreation costs while the other millage provides funding for both parks and land preservation. The ballot proposal associated with the second millage that was approved by the Township's voters does not specify the purpose to which the tax revenues would be allocated. Both millages are accounted for within the Parks and Land Preservation Fund presented in the financial statements. At March 31, 2008, \$607,042 of the fund's equity is designated for land preservation purposes and the remaining \$29,734 is designated for parks.

In an effort to ensure that these tax revenues are spent for the intended purposes, we recommend that the Township Board, as a whole, make decisions concerning the allocation of the fund equity of the Parks and Land Preservation Fund. The Board should determine, on an annual basis, the amount of tax revenues that will be designated for land preservation purposes and the remaining revenues would be spent on parks and recreation costs. The decision should be made annually during the budget process. Advisory committees could be given the opportunity to make recommendations concerning the allocation of funds, by purpose, but the final decision should be made by the Township Board. The amount allocated to land preservation could be tracked separately within the Township's accounting system.

Tax Fund monitoring

The Township's Tax Fund, an agency fund, collects and distributes a substantial amount of money over the course of the year. State statutes require the Township to maintain a separate bank account for these transactions and to remit taxes collected on behalf of other units within certain time periods. The Treasurer is the only official that must be an authorized signer for the separate bank account. The Township must also maintain a general ledger for the Tax Fund.

The Treasurer's Department currently complies with all statutory requirements associated with the tax collection transaction cycle mentioned above. However, there are additional procedures that could be implemented that would augment the internal controls related to the Tax Fund.

We recommend that both the Treasurer and the Clerk review and approve all Tax Fund disbursements, both checks and electronic transfers, for adequate support before disbursements are issued. In addition, the Treasurer's Department could prepare a report to be reviewed by the Board of Trustees that identifies all taxes collected and paid, by taxing authority, prior to the annual settlement with the County. These additional procedures are not mandatory, but they should strengthen the controls over the tax collection transaction cycle and allow for monitoring of the Tax Fund by officials in addition to the Treasurer.

Subsequent to the end of the fiscal year, management added the Clerk as an authorized signer for the Tax Fund's separate bank account and has implemented our recommendation to involve the Clerk in the tax collection transaction cycle.

COMMENTS AND RECOMMENDATIONS (Continued)

Fire Department payroll monitoring

Our consideration of the internal controls related to payroll disbursements revealed an opportunity to strengthen the system of controls related to the payroll transaction cycle. Currently, a firefighter accumulates information related to fire runs, meetings, and week-end duty and prepares a monthly summary to support payments to the firefighters. The Supervisor reviews the monthly summary, but no one is monitoring the reconciliation of the monthly report to supporting documentation.

The internal controls related to payroll disbursements to employees within the Fire Department could be enhanced through a periodic reconciliation, by an employee independent of the Fire Department, of hours per incident reports to hours to be paid. The Department should provide copies of the incident reports to the Township within one week of the incident.

Management agrees with this recommendation and implemented it in the subsequent fiscal year.

Postemployment benefits

The Governmental Accounting Standards Board has issued an accounting pronouncement related to postemployment benefits other than pensions. The pronouncement requires local units of government to record and report the cost of providing these benefits to its retirees. The intent of the new rules is to recognize the cost of providing the benefits over the working life of the employee rather than when cash is paid for the benefits. The Township will be required to measure and report its obligation to provide postemployment benefits and the related annual costs in the fiscal year that begins April 1, 2009.

The Township is not required to fund these obligations before they come due, but it is required to measure the costs of providing the benefits.

We recommend that the Township consult an experienced actuary to measure these obligations, when necessary.

Written policies and procedures

Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes